

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 NEA-10  
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FM AMEMBASSY ANKARA  
TO SECSTATE WASHDC 940  
INFO AMEMBASSY BUDAPEST  
AMCONSUL ADANA  
AMCONSUL ISTANBUL  
AMCONSUL IZMIR

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E.O. 11652: N/A  
TAGS: ETRD, ENRG, HU, TU, UR, PL  
SUBJECT: TURKISH-HUNGARIAN COOPERATION AGREEMENT AND TRADE

REF: ANKARA 1657

1. SUMMARY. IN DECEMBER 1977 THE GOVERNMENT OF TURKEY (GOT) RATIFIED A COOPERATION AGREEMENT BETWEEN ITSELF AND THE GOVERNMENT OF HUNGARY (GOH) CREATING THE FRAMEWORK FOR ENCOURAGING ECONOMIC, TECHNICAL, INDUSTRIAL AND SCIENTIFIC COOPERATION. AS YET, NEITHER THE GOT NOR THE GOH HAVE STAFFED THE "JOINT COMMITTEES" CALLED FOR IN THE AGREEMENT TO CONVENE ANNUALLY. A GOH TRADE OFFICIAL STATED THAT BECAUSE OF THE ECONOMIC AND POLITICAL CONFUSION AND UNCERTAINTY IN TURKEY, AND BECAUSE THE GOT AT THIS TIME WOULD PROBABLY REQUEST A LARGE AMOUNT OF CREDITS, THE GOH IS NOT PUSHING THE GOT TO COME FORWARD WITH ITS JOINT COMMITTEE MEMBERS. THE GOH IS IN PRINCIPLE WILLING TO GRANT CREDITS

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TO THE GOT, BUT WANTS TO BE REASONABLY SURE OF REPAYMENT FIRST; IN THIS SENSE, THE RESULTS OF THE GOT-IMF NEGOTIATIONS WILL PROBABLY HAVE AT LEAST AN INDIRECT EFFECT ON THE LEVEL OF CREDIT THE GOH WILL GRANT. IN THE FUTURE JOINT COMMITTEE SESSIONS, THE GOH EXPECTS THE GOT TO PROPOSE GOH PARTICIPATION IN SPECIFIC INFRASTRUCTURE PROJECTS IN TURKEY, WITH AS YET UNPREDICTABLE RESULTS. END

SUMMARY.

2. THE RATIFIED COOPERATION AGREEMENT BETWEEN THE GOT AND THE GOH WAS PUBLISHED IN THE DECEMBER 13, 1977, ISSUE (NUMBER 16138) OF THE "OFFICIAL GAZETTE." AS THE GOH HAD RATIFIED IT PREVIOUSLY, THE AGREEMENT TOOK EFFECT IMMEDIATELY AND IS TO BE VALID FOR A PERIOD OF FIVE YEARS. (A COPY OF THE AGREEMENT IS BEING POUCHED TO EUR/SE.) THE AGREEMENT CREATES A FRAMEWORK FOR THE ENCOURAGEMENT OF ECONOMIC, TECHNICAL, INDUSTRIAL AND SCIENTIFIC COOPERATION BETWEEN THE TWO COUNTRIES, TO BE IMPLEMENTED BY THE CREATION AND ANNUAL MEETING OF "JOINT COMMITTEES."

3. IN MID-JANUARY 1978 EMBOFFS PRICE AND SAMSON VISITED AND DISCUSSED THE COOPERATION AGREEMENT WITH MUMIN ALANAT, CHIEF OF THE FIRST SECTION (WHICH DEALS WITH THE COUNTRIES OF EAST EUROPE AND EAST ASIA) OF THE DEPARTMENT OF BILATERAL ECONOMIC AFFAIRS OF THE TURKISH MINISTRY OF FOREIGN AFFAIRS (MFA). ALANAT STATED THAT THE AGREEMENT WAS A SET OF PRINCIPLES ONLY AND THAT SPECIFIC IMPLEMENTATION WOULD BE DETERMINED BY THE JOINT COMMITTEES. THE GOT HAD NOT YET SELECTED ITS COMMITTEE MEMBERS, AND ALANAT WAS NOT ABLE TO SPECULATE AS TO WHEN IT WOULD. HE SAID THE TURKISH SIDE WOULD BE DRAWN FROM THE VARIOUS GOT MINISTRIES CONCERNED. ALANAT STATED HIS OPINION THAT BECAUSE OF THEIR "PACKAGE DEAL" NATURE, INCLUDING CREDIT, TRADE AGREEMENTS WITH THE COMMUNIST LIMITED OFFICIAL USE

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COUNTRIES WERE EASIER TO NEGOTIATE AND THAT THE GOT WOULD MAKE GREATER USE OF THEM. ALANAT SAID THAT AS FAR AS HE KNEW THERE WAS NO SUBSTANCE TO FREQUENT NEWSPAPER REPORTS THAT THE USSR WOULD PROVIDE LARGE SCALE GRANTS AND CREDITS TO THE GOT.

4. ON MARCH 3, 1978, EMBOFF SAMSON VISITED AND DISCUSSED THE COOPERATION AGREEMENT WITH IMRE ADAMASKI, COMMERCIAL SECRETARY AT THE GOH TRADE MISSION IN ANKARA. ADAMASKI, WHO HAS BEEN WITH THE GOH MINISTRY OF FOREIGN TRADE FOR SOME EIGHT YEARS AND IN THAT CAPACITY DEALT WITH GREECE, TURKEY AND CYPRUS FOR SEVERAL YEARS, PROVIDED THE INFORMATION CONTAINED IN PARAGRAPHS THREE THROUGH FIVE ABOUT THE COOPERATION AGREEMENT.

5. CHRONOLOGY. IN APRIL 1976, SECRETARY GENERAL ELEKDAG OF THE TURKISH MFA VISITED HUNGARY FOR TALKS WITH THE HUNGARIAN MFA. ELEKDAG PROPOSED A "COOPERATION" AGREEMENT IN ADDITION TO THE TURKO-HUNGARIAN TRADE AGREEMENT. AS THIS SUITED THE GOH, THE HUNGARIANS AGREED. (THE ORIGINAL GOH MOTIVATION FOR "COOPERATION" AGREEMENTS WAS THE DESIRE TO GET AROUND THE EEC BAN ON INDIVIDUAL BILATERAL "TRADE" AGREEMENTS BETWEEN ITS MEMBERS AND NON-MEMBER STATES;

THE GOH THEN BECAME INTERESTED IN HAVING COOPERATION AGREEMENTS WITH ALL COUNTRIES.) IN NOVEMBER 1976, A TURKPIX DELEGATION WENT TO BUDAPEST AND THE TWO SIDES DREW UP AND INITIALED THIS COOPERATION AGREEMENT. THIS WAS NOT DIFFICULT AS THE AGREEMENT WAS NEUTRAL, CONTAINING ONLY PRINCIPLES. IN JANUARY 1977, THE HUNGARIAN FOREIGN MINISTER VISITED TURKEY AND THE AGREEMENT WAS SIGNED. IT WAS RATIFIED BY THE GOT IN DECEMBER 1977, AND WENT INTO EFFECT IMMEDIATELY. VIRTUALLY ALL MEMBERS OF COMECON, PLUS FINLAND AND DENMARK HAVE ALMOST IDENTICAL COOPERATION AGREEMENTS WITH THE GOT.

6. THIS AGREEMENT IS ONLY A FRAMEWORK AND, IN THE OPINION OF MANY HUNGARIANS (INCLUDING ADAMASKI), IS IMPORTANT ONLY LIMITED OFFICIAL USE

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BECAUSE OF THE CREATION OF THE JOINT COMMITTEES AND THEIR

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ANNUAL MEETINGS. THE LATTER WILL PROVIDE AN EXCELLENT FORUM FOR THE DISCUSSION OF THE WHOLE RANGE OF GOT-GOH TRADE

AND COOPERATION RELATIONS. THE GOH SIDE OF THE JOINT COMMITTEE WILL ALSO BE DRAWN FROM VARIOUS GOH MINISTRIES, ALTHOUGH THE EXACT COMPOSITION IS UNKNOWN. CURRENTLY, THE GOH IS WAITING FOR THE GOT TO COME FORWARD WITH ITS COMMITTEES MEMBERS. HOWEVER, THE GOH IS NOT PUSHING THE GOT ON THE FORMATION OF THE JOINT COMMITTEES, FOR TWO REASONS: THE ECONOMIC AND POLITICAL SITUATIONS IN TURKEY ARE CONFUSED, THE TURKS PROBABLY DON'T KNOW WHAT THEY WANT, AND IT IS NOT CERTAIN WITH WHAT DEGREE OF AUTHORITY OR PERMANENCE THE GOT SIDE OF THE COMMITTEE COULD SPEAK; THE GOT WOULD PROBABLY WANT A LARGE AMOUNT OF CREDITS, SOMETHING THE GOH IS AT PRESENT LOATH TO GIVE BECAUSE OF ITS OWN SHORTAGES AND THE UNCERTAINTY OF REPAYMENT. THE GOH IS NOT IN PRINCIPLE AGAINST GIVING THE GOT CREDITS, BUT IT WOULD LIKE A BETTER IDEA OF WHAT IS GOING ON AND WILL GO ON IN TURKEY FIRST, AS WELL AS THE LIMITED OFFICIAL USE

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ASSURANCE THAT THE CREDITS WILL BE REPAID. IN THIS REGARD, THE OUTCOME OF THE GOT-IMF NEGOTIATIONS WILL HAVE AT LEAST AN INDIRECT EFFECT ON GOH ATTITUDES AND ACTIONS, AND ON THE LEVEL OF CREDITS TO BE GRANTED.

7. BASED LARGELY ON CZECH AND ROMANIAN EXPERIENCES ON THE JOINT COMMITTEES WITH THE GOT, THE GOH EXPECTS THAT THE CENTRAL TOPIC OF DISCUSSION AT THE JOINT COMMITTEE MEETINGS WILL BE HOW THE GOH WILL PARTICIPATE IN INFRASTRUCTURE INVESTMENTS IN TURKEY, SUCH AS HYDROELECTRIC POWER STATIONS, MINING, ELECTRIFICATION OF RAILROADS, ETC. THE GOT SIDE WILL PROPOSE SPECIFIC PROJECTS, AND THE HUNGARIANS WILL HAVE TO TAKE THE PROPOSALS TO BUDAPEST FOR A DETERMINATION OF THE GOH RESPONSE. NO ONE AS YET CAN PREDICT WHAT THE RESULTS WILL BE: THE AMOUNT OF CREDIT TO BE GRANTED HAS NOT BEEN DECIDED, EVEN IN A GENERAL SENSE, AND WILL HAVE TO AWAIT THE GOT'S SPECIFIC PROPOSALS.

8. WHEN ASKED ABOUT THE VERACITY OF FREQUENT PRESS STORIES ABOUT POSSIBLE LARGE SCALE SOVIET BLOC CREDITS, GRANTS, ETC., TO THE GOT, ADAMASKI REPLIED THAT THEY (THE SOVIET BLOC COUNTRIES) SIMPLY DID NOT HAVE THAT MUCH CREDIT TO OFFER, THAT THEY ALL HAD TREMENDOUS ECONOMIC PROBLEMS OF THEIR OWN. AS REGARDS THE NEWSPAPER STORY PUBLISHED MARCH 3 THAT THE SOVIETS MIGHT PROVIDE OIL TO THE GOT, ADAMASKI OPINED THAT THE USSR HAS NEITHER THE OIL NOR CREDITS TO OFFER.

9. WHEN ASKED ABOUT THE ARTICLE APPEARING IN THE FEBRUARY 27, 1978, ISSUE OF THE "EBANEWSLETTER" TO THE EFFECT THAT A U.S. \$501,627 TURKISH DEBT TO POLAND WILL BE REPAID THROUGH EXPORT SALES, ADAMASKI SAID THAT THIS IS NOTHING NEW. THIS WAS A "CLEARING AGREEMENT" IN WHICH TURKEY TOOK

DELIVERY IN THE PAST OF POLISH EQUIPMENT AND WHICH WAS  
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ORIGINALLY INTENDED TO BE PAID FOR THROUGH TURKISH EXPORT  
SALES TO POLAND.  
SPIERS

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## Message Attributes

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